

PUBLIC DISCLOSURE

May 1, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

STURDY CREDIT UNION

211 PARK STREET
ATTLEBORO, MASSACHUSETTS 02703

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire membership, including low and moderate-income borrowers, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Sturdy Credit Union** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".

This examination was conducted utilizing three performance criteria for industrial credit unions: 1) Average Loan to Deposit (Share) Ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending. The two geographical criteria were not considered since the institution defines membership by affiliation rather than residence.

The credit union's average loan to share ratio of 71.0 percent for the current examination period afforded the credit union a satisfactory performance rating. This percentage indicates a willingness to return shares/deposits to the membership in the form of credit.

Lending to borrowers of different incomes was also found to meet satisfactory performance standards due to the reasonable percentage of loans granted to low and moderate-income members.

The credit union's fair lending performance is also considered satisfactory.

PERFORMANCE CONTEXT

Description of Institution

Sturdy Credit Union was chartered by the Commonwealth of Massachusetts in 1969. The credit union was established to serve the employees of Sturdy Memorial Hospital, Attleboro, MA. As of December 31, 2001, the credit union had total assets of \$4.9 million with total loans of \$3.1 million or 63.9 percent of total assets. Automobile loans account for the highest percentage (59.1%) of the credit union's loan portfolio.

The following table illustrates the composition of the loan portfolio.

LOAN PORTFOLIO As Of 12/31/01		
Loan Type	Dollar Amount (000's)	% of Total Loans
Used Auto	1,079,444	34.2
New Auto	785,807	24.9
All Other Unsecured	1,121,870	35.5
All Other Secured	171,880	5.4
Total)	3,159,001	100%

Source: 5300 Call Report

The credit union's main office is located in the Sturdy Memorial Hospital Complex at 211 Park Street in Attleboro, Massachusetts. The credit union employs 3 full-time employees. Office hours are Monday through Thursday 8:00 a.m. to 4:00 p.m., and Friday 7:00 a.m. to 4:00 p.m. The credit union's hours appear to be convenient and accessible to its members. The credit union provides members with check cashing abilities, collecting credit applications, direct deposit for payroll and automatic payroll deduction for loan payments.

The credit union was last examined for compliance with the Community Reinvestment Act by the Commonwealth of Massachusetts Division of Banks on August 31, 1998. That examination resulted in a CRA rating of Satisfactory.

Description of Assessment Area (Membership)

According to its by-laws, membership in the credit union is limited to those who are employees of the Sturdy Memorial Foundation, Inc., which includes employees of Sturdy Memorial Hospital, Inc., Sturdy Memorial Hospital Auxiliary, Inc., Sturdy Memorial Hospital Associates, Inc., S.H.V., Inc. and Emory Street Radiology Associates, Inc. and their families.

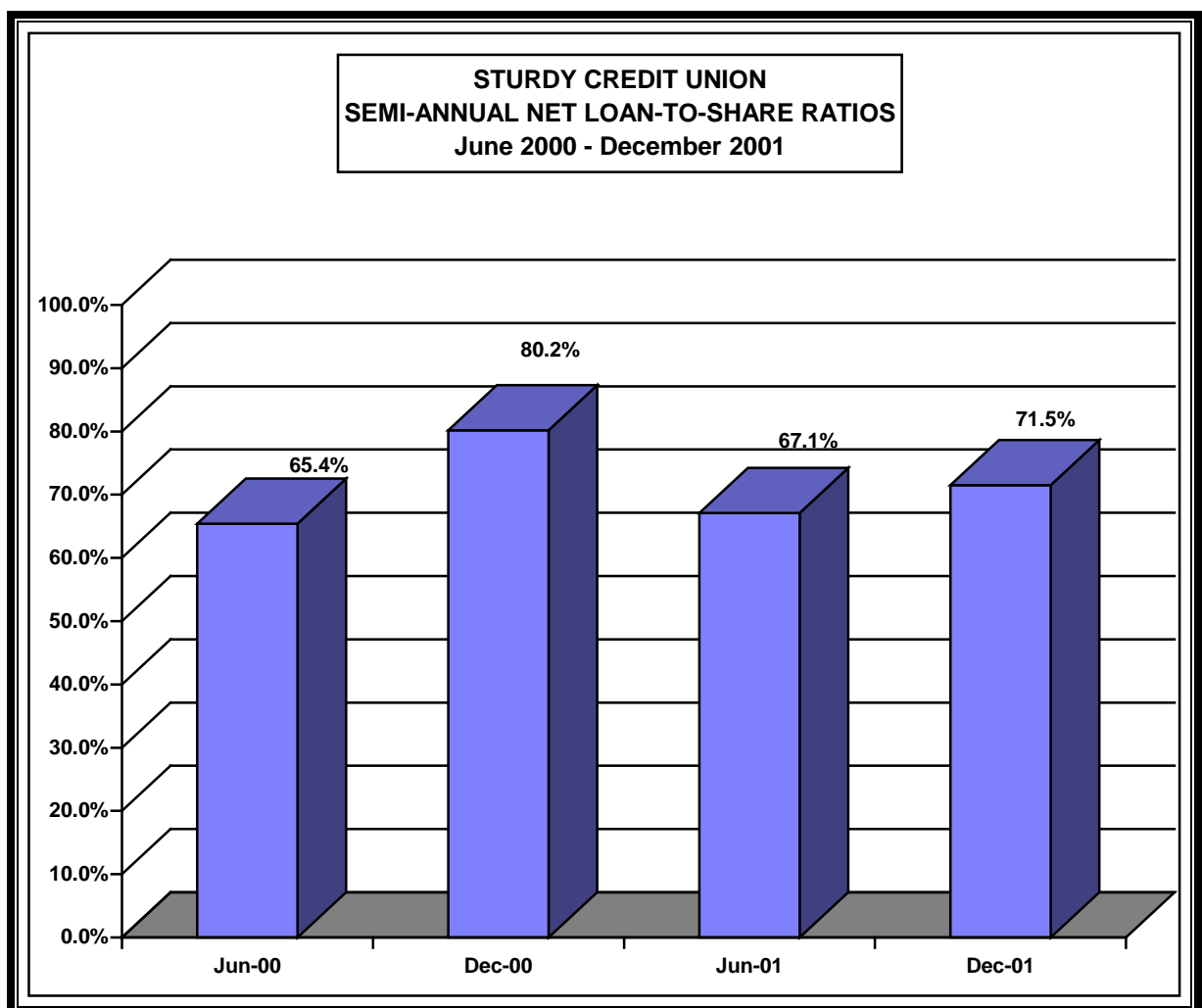
According to the Massachusetts Community Reinvestment Act Regulation, 209 CMR 46.41, a credit union whose membership is not based on residence may delineate its membership as its assessment area. Sturdy Credit Union has elected to identify its assessment area in this manner.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

An evaluation of Sturdy Credit Union's average loan to deposit (share) ratio was conducted. This review considered the semi-annual net loan-to-share ratios for the period June 2000 through December 2001. This ratio is based on loans net of the allowance for loan and lease losses as a percentage of total shares. Using the credit union's four most recent semi-annual NCUA 5300 Reports, the average net loan-to-share ratio for this period was determined to be 71.0 percent. This analysis was conducted to determine the extent of the credit union's lending compared to deposits received from its membership.

The following graph illustrates the loan to share trends.



Source: 5300 Call Reports

The credit union's loan-to-share ratio has fluctuated over the period considered. As of December 2000 the ratio stood at 80.2 percent. It has since declined to 71.5 percent as of

December 2001. Discussions with management revealed that the credit union originated a high volume of higher priced auto loans. Given the credit union's small asset size, a moderate increase or decrease in lending activity could result in a significant change in the loan to share ratio.

An additional analysis compared Sturdy Credit Union's net loan-to-share ratio for December 31, 2001 to that of comparable institutions of similar asset size. This analysis revealed that the credit union's loan to deposit ratio of 71.5 percent was comparable to these other institutions. The ratios for the comparables were 66.6 percent and 73.5 percent.

The following table illustrates the loan-to-deposit ratios for comparable industrial credit unions.

Name	Asset Size (Million)	Loan to Deposit Ratio (%)
Sturdy Credit Union	\$4.9	71.5
Charles River Credit Union	\$4.2	73.5
Braintree Educators and Municipal Employees CU	\$4.4	66.6

Source: 5300 Call Reports

Based on the above information and the credit union's capacity to lend, its asset size, the types of loans available at the credit union, and the lending opportunities available for its membership, the credit union's net loan-to-share ratio is considered to meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA (S)

The second performance criterion examines an institution's record of lending within its assessment area. However, under the CRA regulations, 209 CMR, section 46.41, a credit union whose membership is not based on residence, such as the Sturdy Credit Union, may define its assessment area as its membership. Since Sturdy Credit Union has identified its assessment area in this manner, no evaluation of geographic performance factors was conducted.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

Sturdy Credit Union's distribution of credit to borrowers of different income levels was also evaluated.

In order to determine the distribution of credit based upon the income levels of borrowers, a loan review of a sample of consumer loans was conducted for the period January 1, 2000, through December 31, 2001. This analysis compares the borrower income to the

Median Family Income for the Metropolitan Statistical Area (MSA) in which the borrower resides. The majority of loans included in the sample represented members with primary residences within the Providence-Fall River-Warwick-Rhode Island and Boston MSAs. Therefore, loans were categorized by the ratio of the applicant's reported income to the estimated 2000 and 2001 median family incomes of the Providence-Fall River Metropolitan Statistical Area (MSA), which are \$49,800 and \$52,800 and the Boston MSA, which are \$65,500 and \$70,000, respectively. The previous income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the Metropolitan Statistical Area (MSA). Moderate income is defined as income between 50 and 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median income. Upper income is defined as income equal to or greater than 120 percent of the median income.

Sturdy Credit Union extended 343 consumer loans in 2000 and 364 consumer loans in 2001. A sample of 40 consumer loan originations from both years represented a mixture of auto loans, and secured and unsecured installment loans.

According to the analysis, of the total consumer loans sampled 32.5 percent by number were granted to low-income borrowers while 35.0 percent was granted to moderate-income borrowers.

Consumer Loans by Income of Borrower (Number)						
% of Median MSA Income	2000		2001		Total	
	#	%	#	%	#	%
<50%	6	30.0	7	35.0	13	32.5
50% - 79%	7	35.0	7	35.0	14	35.0
80% - 119%	5	25.0	3	15.0	8	20.0
120% >	2	10.0	3	15.0	5	12.5
Total	20	100	20	100	40	100

Source: In-house files

Of the total consumer loans sampled 27.6 percent by dollar amount was granted to low-income members and 25.4 percent was granted to moderate-income members.

Consumer Loans by income of Borrower (Dollar Amount)						
% of Median MSA Income	2000		2001		Total	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	20	15.1	55	39.6	75	27.6
50% - 79%	35	26.3	34	24.4	69	25.4
80% - 119%	45	33.8	25	18.0	70	25.7
120% >	33	24.8	25	18.0	58	21.3
Total	133	100%	139	100%	272	100%

Source: In-house files

An analysis of the credit union's consumer lending activity revealed that there is an excellent penetration of loans in the low and moderate-income categories. However, it is noted that the majority of the consumer loans were granted to single applicants; while the comparison is made to median family income. This has the tendency to somewhat skew the loan distribution towards low and moderate-income categories.

Based upon the above analysis of consumer loans by borrower income, it appears that the credit union's lending is distributed to members of various income levels, including those of low and moderate-income. The credit union's willingness to provide small dollar amount loans appears to be attractive to members of modest financial means. Performance in this category is therefore considered to meet the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

As mentioned above, since the credit union identifies its membership as its assessment area, in accordance with 209 CMR 46.42, no further evaluation of geographic performance was conducted.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

REVIEW OF COMPLAINTS

Sturdy Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

FAIR LENDING POLICIES AND PRACTICES

The following activities describe how the credit union's fair lending activities relate to the guidelines set forth in the Division of Banks Regulatory Bulletin 2.3 - 101.

The credit union's marketing activity includes placing information on its credit products and services on bulletin boards located in Sturdy Memorial Hospital's facilities. Brochures are also provided in the credit union's office. The credit union also includes statement stuffers in correspondence sent out to the membership. On a continual basis, the credit union includes information on products and services in Sturdy Memorial Hospital's Newsletter "Sturdy Crier".

The credit union's outreach activities include participation in the orientation process for newly hired employees so they are made aware of the products and services offered.

The credit union refers its members to Members Mortgage Corporation which offers a first-time homebuyer product with flexible terms and low administrative costs. The credit union also includes credit counseling as one of the services to its members.

Sturdy Credit Union's fair lending is considered adequate given the size and resources of the credit union.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

STURDY CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MAY 1, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.